

THE CLEAR FUND
D.B.A. GIVEWELL

DECEMBER 31, 2017

REPORT

TO

THE AUDIT COMMITTEE



A Century Strong

August 16, 2018

TO THE AUDIT COMMITTEE
THE CLEAR FUND d.b.a. GIVEWELL
San Francisco, California

We are pleased to present this report related to our audit of the financial statements of **THE CLEAR FUND d.b.a. GIVEWELL (GiveWell)** for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for GiveWell's financial reporting process.

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciated the opportunity to be of service to GiveWell.

Hood & Strong LLP

The Clear Fund d.b.a GiveWell

Report to The Audit Committee

Required Communications

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Attachment:

Letter Communicating Deficiencies in Internal Control

The Clear Fund d.b.a GiveWell

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated January 30, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit as an attachment to our arrangement letter.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by GiveWell. GiveWell did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The Clear Fund d.b.a GiveWell

Required Communications

Area	Comments
	<p data-bbox="727 457 1393 489">Management’s Judgments and Accounting Estimates</p> <p data-bbox="727 520 1425 846">Accounting estimates are an integral part of the preparation of financial statements and are based upon management’s current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimate reflected in GiveWell’s December 31, 2017 financial statements:</p> <ul data-bbox="776 884 1425 1115" style="list-style-type: none">- Functional allocation of expenses – directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area or management’s estimate of usage <p data-bbox="727 1150 1425 1213">GiveWell’s processes for estimates appear reasonable and are consistent with industry practice and U.S. GAAP.</p>
Audit Adjustments	<p data-bbox="727 1245 1425 1339">There were various reclassifying entries recorded for presentation purposes which did not impact the change in net assets. We did not identify any other audit adjustments.</p>
Uncorrected Misstatements	<p data-bbox="727 1371 1425 1434">We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
Disagreements with Management	<p data-bbox="727 1476 1425 1633">We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p data-bbox="727 1665 1425 1759">We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p data-bbox="727 1791 1425 1892">No other significant issues arising from the audit were discussed or the subject of correspondence with management.</p>

The Clear Fund d.b.a GiveWell

Required Communications

Area	Comments
Significant Difficulties Encountered in Performing the Audit	We did not encounter any other difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	The only written communications between our Firm and management of GiveWell are the representation letter provided to us by management (available upon request) and a letter reporting control deficiencies (attached).

August 16, 2018

TO THE AUDIT COMMITTEE
THE CLEAR FUND d.b.a. GiveWell
San Francisco, California

In planning and performing our audit of the financial statements of **THE CLEAR FUND d.b.a. GIVEWELL (GiveWell)** as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered GiveWell's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GiveWell's internal control. Accordingly, we do not express an opinion on the effectiveness of GiveWell's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of an identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

Financial Statement Disclosure and Presentation Items

Observation

Two key areas of presentation and disclosure in GiveWell's financial statements are its temporarily restricted net assets activity and the transactions with related parties. While items in both of these areas were properly recorded in the general ledger, the supporting schedules initially provided did contain errors. Once these errors were identified, subsequent drafts were corrected by the contracted accounting firm.

Recommendation

We suggest that GiveWell ensure that these important areas are appropriately reviewed including greater level of collaboration between the contracted accounting firm and GiveWell’s management team to ensure presentation and disclosure of these items are accurate.

The following is an additional recommendation as part of the ongoing process of modifying and improving GiveWell’s practices and procedures:

New Not-For-Profit Reporting Requirements

GiveWell will be expected to adopt the new accounting pronouncement, ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* for its year ending December 31, 2018. The adoption of this new standard will necessitate presentation changes in GiveWell’s financial statements and footnotes as follows:

Reporting Requirements	Recommended Actions for GiveWell
Net asset terminology	The current terminology of unrestricted, temporarily and permanently restricted net assets will change to “Net assets with donor restrictions” and “Net assets without donor restrictions.” There is no action needed. This will be a relatively simple wording change, which we will facilitate as the December 31, 2018 financial statements are drafted.
Functional expenses	Instead of reporting the functional expenses as a supplemental schedule, GiveWell will need to include this as one of the standard statements or as a separate footnote. Additionally, GiveWell will need to disclose in a bit more detail, the methodology employed for its functional expense allocations.
Liquidity disclosures	<p>GiveWell will be required to disclose the “financial assets available for general expenditures in the next 12 months”. This will require GiveWell to identify its financial assets available to be used for general expenditure, along with any restrictions or other encumbrances that would prevent the assets from being used for general expenditures. Additionally, GiveWell would also need to disclose its short-term cash management policies.</p> <p>We recommend that GiveWell begin to compile the narrative language for these policies and prepare the worksheets necessary to calculate its financial assets available for general expenditure.</p>

STATUS OF PRIOR YEAR RECOMMENDATIONS (as previously reported, along with status update)

Undeposited Funds Reconciliation

Observation

We noted that GiveWell's utilizes an "undeposited funds" account within its chart of accounts. This account effectively functions as a clearing account for contributions not yet deposited into its bank accounts. We were provided an accounting of all the activity in this account for the year and performed testing that did not yield any errors (i.e. in our sample of contributions tested were verified that the selected items were deposited in GiveWell's accounts) but a detailed reconciliation of this account is not performed. Without a detailed reconciliation verifying that every contribution that flows through the undeposited fund account has been deposited, it's possible that errors could go undetected.

Recommendation

We recommend that GiveWell perform regular reconciliations for undeposited funds at the same frequency and approval process as the cash account reconciliations.

Status

GiveWell's management agrees with this recommendation. GiveWell did not take action in 2017 because it was in the process of transitioning its accounting processes into a new accounting system. This system goes into effect in 2018 and is expected be used to perform reconciliations of undeposited funds on a monthly basis.

In-kind Rent Reconciliation

Observation

We noted that the January 2017 and an amount attributed to the rental deposit were incorrectly included in rental revenue and expense for the year ending December 31, 2016.

Recommendation

We recommend that GiveWell perform an annual reconciliation between general ledger and the contractual amount of donated rent from the underlying rental agreement.

Status

This recommendation has been implemented.

Accrued Vacation

Observation

We noted that GiveWell has not recorded a liability for its accrued vacation expense. The amount as of December 31, 2016, was considered immaterial.

Recommendation

We recommend that GiveWell make an adjustment to bring the accrued vacation onto its books before the liability grows to a material amount.

Status

This recommendation has been implemented.

Functional Expense Presentation

Observation

We noted that GiveWell has included a line item on its functional expense called “donated goods and services”. The functional expense presentation should only include natural expense classifications such as rent or advertising.

Recommendation

We recommend that GiveWell begin to record its in-kind expenses in a manner that allows for these expenses to easily be presented into their respective natural expense categories.

Status

GiveWell’s management agrees with this recommendation and will be working with its contracted accounting firm to record in-kind expenses in their respective natural expense categories with the adoption of ASU 2016-14 which is effective for GiveWell’s December 31, 2018 financial statements.

This letter is intended solely for the information and use of management and GiveWell’s Audit Committee and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving GiveWell and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Hood & Strong LLP